

# UNDERSTANDING THE BASICS OF TRADING



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### What is Forex?

Forex (or FX) is short for Foreign Exchange market. The fundamental idea is to exchange one currency for another to gain profit.

If you exchanged currencies before, you know that as a result of the exchange you either gain or lose money. It depends on how one currency gained more value than the other since your purchase.

On Forex markets, you do not actually purchase the currency. You simply make a prediction: X currency will gain value over Y currency in a given time.

Traders make educated guesses by analyzing the economy, past trends and major expected events. This process is called 'trading forex'. The more technical term is trading **Contracts for Difference** (CFDs). We will learn more about CFDs other than FX later.

### BASIC FX TERMS

**Currency Pair** : Quotation of one currency against another. The most common pair is the Euro and US Dollar: EURUSD. The first one is called the **Base Currency**., while the second is called the **Quote Currency**.

**CFD** : Contract for Difference





Forex Trading

**Trading Forex** is all about observing the currency pairs and their respective values over one another. If you can predict the direction of the market, you make profit. It's simple as that. The most commonly traded pair is Euro and U.S. Dollars. They are shortened as EUR and USD. Let's use it as an example: Judging by the current economic developments, an FX trader believes EUR will gain value over USD today. So, they take a position in the forex market and invest. If the market moves in the expected direction, they will profit. If not, they will lose.

How to Trade FX

Traders sign up with online trading brokers such as **FairMarkets** to trade in FX market. Brokers provide avccess to trading platforms. Traders start live accounts, deposit investments and then open positions. Since **trading with margin** is possible in FX markets, brokers offer **leverage** to their clients. This means you can trade up to 400 times more than your actual investment. In other words, you use margin to create leverage when trading.

BASIC FX TERMS

**PIP:** Point In Percentage. It's the smallest amount of change in a currency pair.

**Bid Price:** For how much you can sell a currency pair.

**Ask Price:** For how much you can buy a currency pair.

**Spread:** The difference in buying and selling prices.

**Margin:** Minimum amount of funds you need to trade.

**Leverage:** Ability to trade larger positions than your actual account balance.

## HOW TO START AN FX ACCOUNT

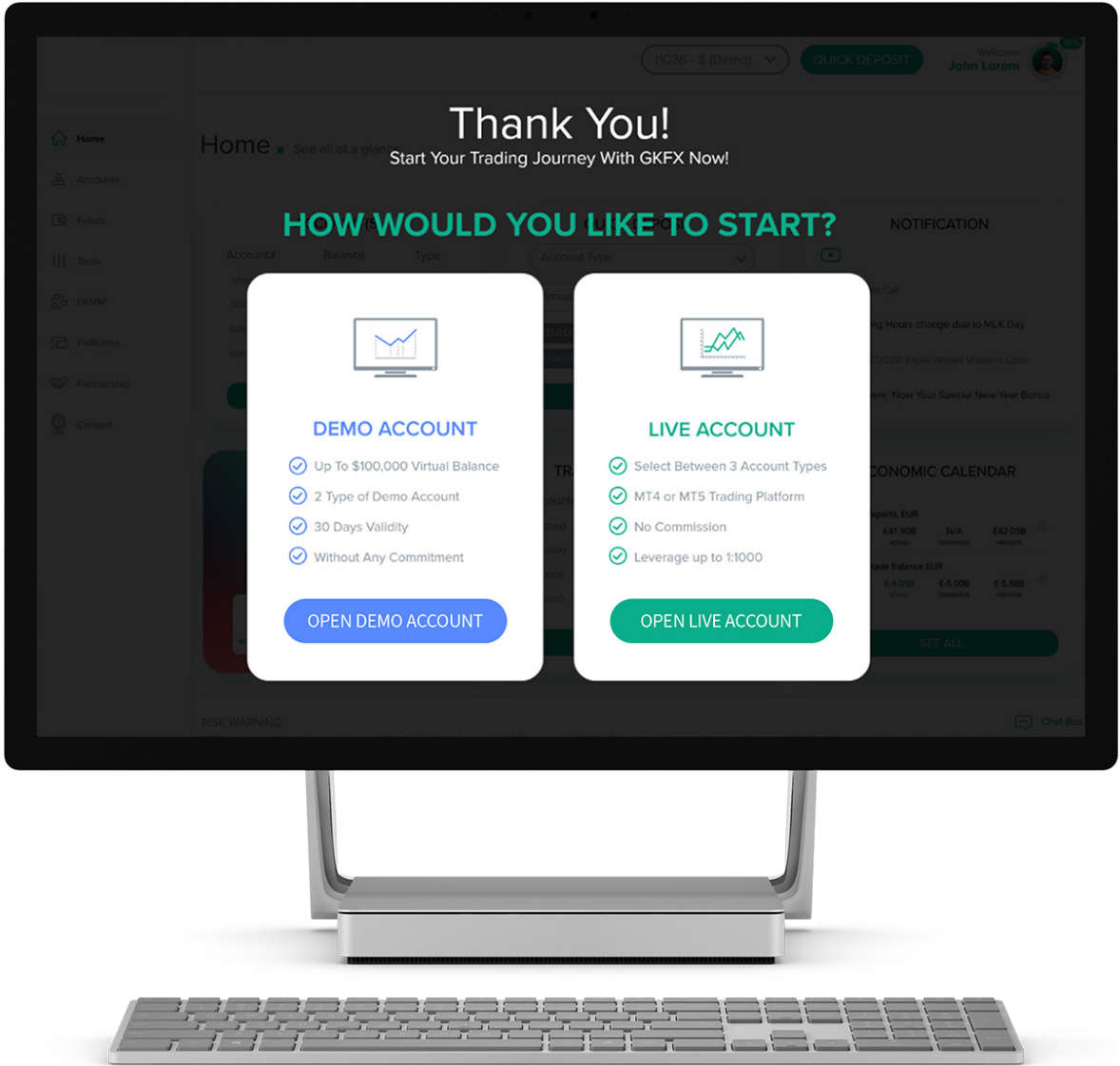
Before starting to trade, it is advised to practice your skills with a free demo account. Once you grasp the basics, you can start trading with your live account immediately.

### Demo Account

A demo account has virtual currency and poses no risk to your actual capital. You don't have to deposit to start practicing.

**Click here** to sign up for an account and follow the steps below:

- Start by filling out our quick form on the registration page.
- Select “Open Your Account” and proceed to the secure client area.
- Once you decide if you want to practice or start trading right away, follow the process and finish your application. Either way, you will receive your login details for trading platform via e-mail shortly.





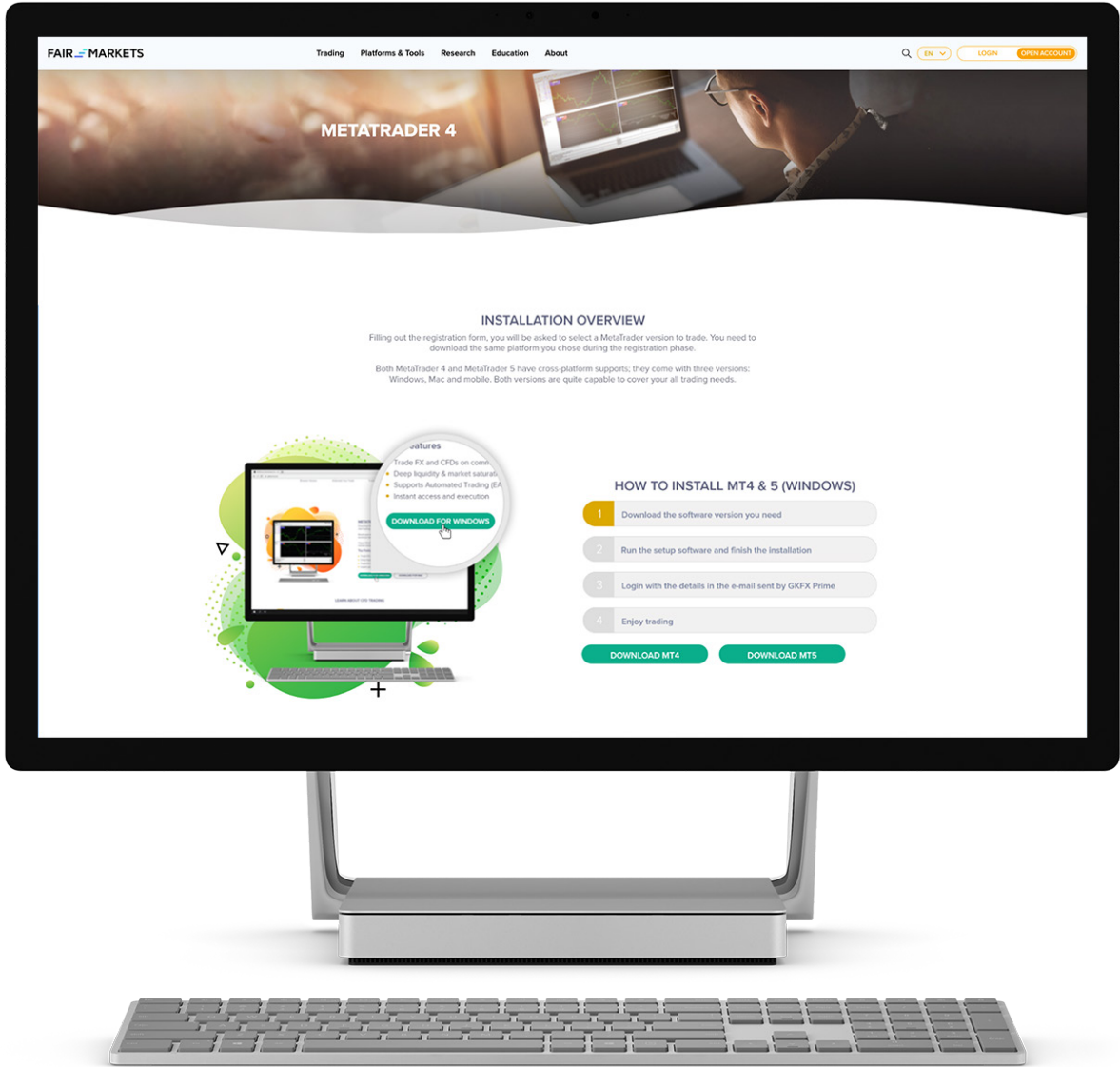
How to Install Trading Platforms

Start by downloading the trading platform you chose while signing up.

You have a wide range of options here: Either download the desktop version or use your browser as the user interface.

Feel like trading on-the-go? Download the apps to your mobile devices instantly!

Once the software is ready on your device, login with the details you received from us via e-mail.



METATRADER

MetaTrader (MT) is a common, efficient and easy-to-use trading platform. FairMarkets provides you access to both MT4 and MT5 platforms.

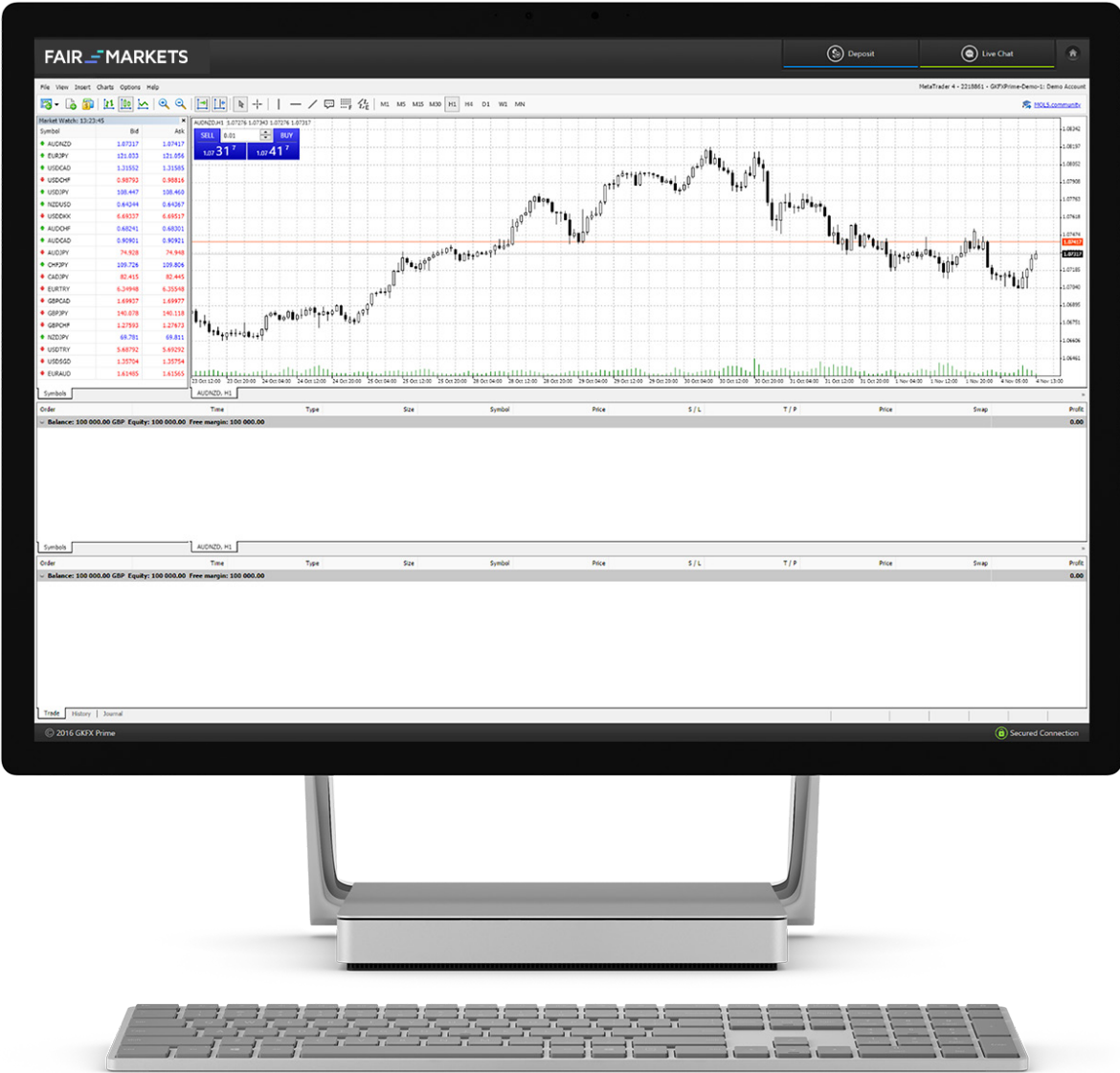
Hold on to this information as you will need it if you ever login on a new device.

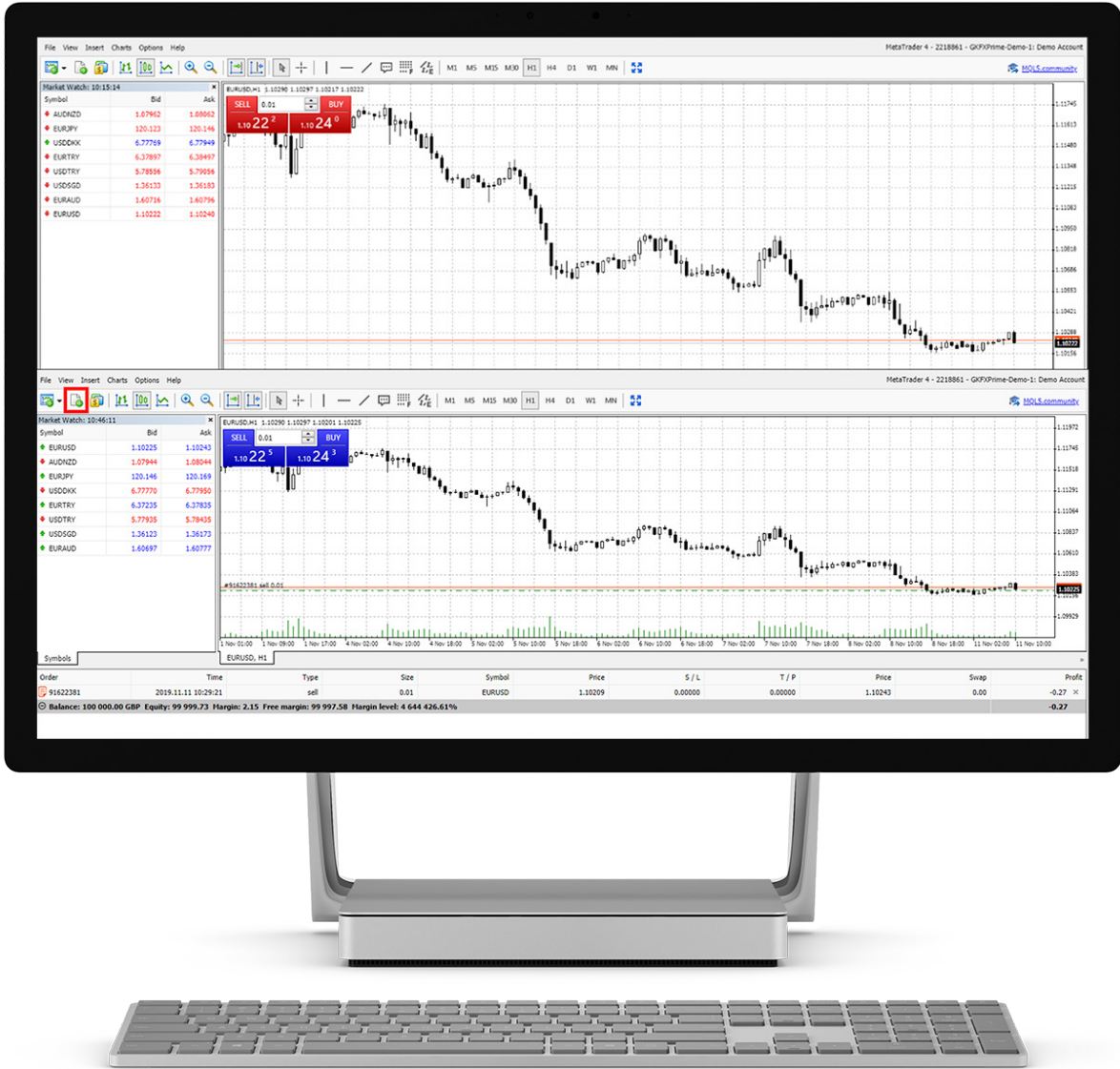
Once logged in to your demo account, you will see currency pairs on the left-hand side with live quotes. On the right panel, you will see a chart.

Right clicking (or long tapping on mobile) will give you options to tweak this dashboard.

Your trade transaction log is seen below the chart. Notice that your account balance reflects the selected amount for this demo account. Your orders and free margin – the percentage of deposit you need available to trade – will be visible here.

You are all set for practice trading with FairMarkets!





Trade example

This is your trading page. Go ahead and familiarize yourself with the menus and buttons. To learn more about using the platform, please visit our **Videos** section for tutorials.

For the purpose of this demo, we will simulate trading EURUSD, one of the most traded FX pair.

Notice that there is a downwards trend for the past hour. This means the market is currently **bearish** and the traders are mostly selling rather than buying.

Top left corner of the graph shows you current buying and selling prices for positions. The 0.01 is the lot, your trading volume.

If you were to click either SELL or BUY here, the system will first ask permission for **‘One-click Trading’**.

After your confirmation, you will start trading immediately. You will open a position based on the current market price, joining the millions of other traders in the market.

If you clicked SELL and the price kept going down, you will notice that you are profiting. In the opposite case, you would see a negative value. Either way, you can close your position anytime you want.

Alternatively, you could place a new order with certain conditions. Click the icon in red square or long-tap the graph and you will see a more detailed order menu.

Notice that you can set certain conditions for your order. Thinking the price will increase? Place a buy order with a target price using **Take Profit**. To minimize possible losses, set a **Stop Loss** function.

When you’re ready to close your position, right-click or long-tap the order and select ‘Close Position’.

Congratulations! You have just traded Forex!

## Crunching the numbers

### Example for Buying (Going Long)

Let's say you deposited 5000\$ in your account. You entered the market when the price for EURUSD is 1.11000. You buy one lot (100,000 units) with Euro at 1% margin (100:1 leverage). We set aside 1,100 USD in your account to open this position. With leverage, your lot is now worth 110,000 USD while trading. Meanwhile, you have 3,900\$ free margin left in your account. As you predicted, the price increased and EURUSD is now 1.12000. You close the position and make 1000 \$ profit. Your profit is immediately reflected to your account balance. You get back your initial deposit as well. You now have 6,000\$. If you kept the position open overnight, you will **pay and earn** interest for both currencies as a result. Because you borrowed EUR and lent USD.

### Example for Selling (Going Short)

You have 4,000 USD in your account. You opened a sell position with one lot (100,000 units) at 1% margin (100:1 leverage). Currently EURUSD is at 1.2000. So, we set aside 1,200 USD in your account to open this position. With leverage, your lot is now worth 120,000 USD. As you predicted, the price decreased and EURUSD is now 1.18000. You close the position and make 2000\$ profit. Your profit is immediately reflected to your balance. You get back your initial deposit of 1,200 USD. Now you have 6,000\$. If you kept the position open overnight, you will **pay and earn** interest for both currencies as a result.

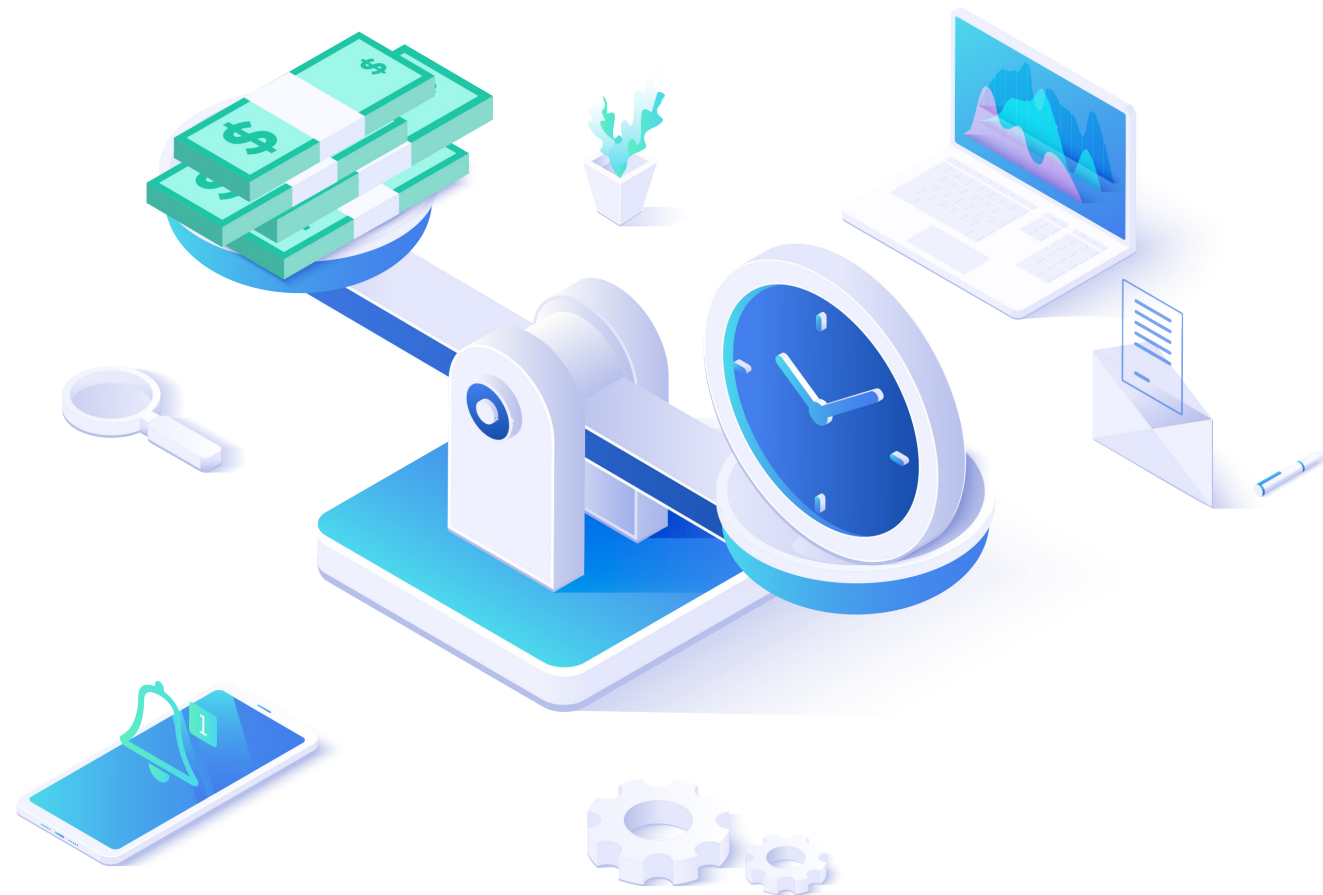
### When should you buy/sell?

CFD markets such as Forex are always volatile and unpredictable. There is no clear 'winning formula'. Experienced traders develop their own systems over time by studying the market and using analytics tools. FairMarkets customers enjoy a wide variety of assistance tools to make informed decisions. Check our selection of tools, analytics and newsletters to gather more information about the market.

Alternatively, you can check our **PAMM platform** where experienced traders securely share their strategy with investors while sharing their profits. This is a smart solution for traders who lack experience or time to trade Forex regularly.







To trade in the Forex markets, you need to provide a certain amount of margin. You can deposit the amount you want to trade into your Fairmarkets account easily.

Login to your Secure Client Area (SCA) by clicking “MyFairMarkets” on our home page.

**Deposit** page greets you with several options for topping up your account. Choose your method and proceed with the payment. The quickest method is using a Bank/Credit Card.

## How to deposit

Once the process is complete, your balance will reflect the change. Also, you will receive a confirmation mail from us shortly. Got comfortable trading on a demo account by now? Then it’s time for a live run!

Login to your trading platform with your live account details and join the millions of FX traders. The process is exactly the same as demo trading.


Got questions? Contact our **experts** via Live Chat, phone or e-mail 24 hours!




TRADING WITH FAIRMARKETS

We value your business and do our best to become your innovative, long-term trading partner. We provide bonuses, advanced trading and analytics tools to equip you for the challenges of the market.

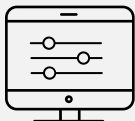
Top reasons why you should start your trading journey with us:




Ultra-tight Spreads



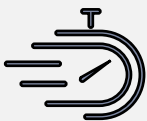
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Customer Support 24/5



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Available to all clients

Up to 5500\$

Free tools & Education

**25%  
RE-DEPOSIT BONUS**

Available to all clients

Up to 5500\$

24/5 Customer Support

## WHAT ELSE IS OUT THERE?

While Forex is the most popular form of CFDs, we offer numerous other products to our clients. Products such as Equities, Indices and Commodities are great ways to diversify your portfolio and minimize your investment risks.

### Equities

Also called Shares or Stocks, they represent a percentage of a publicly listed company. Similar to Forex, you can trade Equities as Contracts for Difference (CFDs) on our platforms.

You do not actually buy the shares of these companies. You simply take a position in the market, saying “These shares will increase/decrease in value in a given time period.” This way, you can make profit even if the shares are actually losing value.

### Indices

An index is a group of company shares traded together. Grouped shares gain and lose value together as shares of big companies usually set the pace and value.

Fairmarkets offers you a top selection of over 20 baskets such as DAX30, NAS100 and SP500, either spot or in futures contracts form.

### Commodities

Traders looking for less volatile products enjoy trading commodities such as gold, oil, gas or cotton.

Global events, weather conditions and major economic developments determine prices of these products which tend to keep their trends more straightforward compared to unpredictable markets such as Forex. We offer a wide range of commodities from oil and silver to cocoa and coffee! To see the full list of our products and benchmark prices, please check our **Market Information Sheets**.

